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ORIGIN EA-14

INFO OCT-01 ISO-00 PA-04 PRS-01 RSC-01 EB-11 USIA-15 SS-20

SSO-00 /067 R

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FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI IMMEDIATE

INFO AMCONSUL HONG KONG PRIORITY

USLO PEKING

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: PFOR, ETRD, CH, US

SUBJECT: FREEMAN SPEECH TO NCUSCT

REF: TAIPEI 3600 (NOTAL)

BEGIN UNCLASSIFIED

1. ON JUNE 3, PRCM ECON/COMMERCIAL OFFICER FREEMAN GAVE SPEECH TO ANNUAL MEETING OF NATIONAL COUNCIL FOR UNITED STATES-CHINA TRADE (NCUSCT). JUNE 4, AN ARTICLE PURPORTING TO RECOUNT HIS REMARKS APPEARED IN WASHINGTON STAR-NEWS UNDER SCRIPPS-HOWARD BYLINE. VERSION IN PAPER SOLD ON THE STREETS (GREENLINER) WAS CONSIDERABLY LONGER THAN LATER STORY USED IN SUBSCRIPTION VERSION. THE GREENLINER ARTICLE IN PARTICULAR WAS SO FULL OF DISTORTION AND BLATANT MISQUOTATION THAT FREEMAN CALLED ITS AUTHOR, MR. BOYCE OF SCRIPPS-HOWARD, TO COMPLAIN AND REQUEST THAT A CORRECTION BE ISSUED. HE TOOK DOWN PORTIONS OF REMARKS FROM NCUSCT TAPE RECORDING AND READ THEM TO BOYCE- WHO THEN ADMITTED THERE WAS ALMOST NO CORRESPONDENCE BETWEEN WHAT HE HAD

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WRITTEN AND WHAT FREEMAN HAD SAID, APOLIGIZED TO FREEMAN,

AND PROMISED TO DO WHAT HE COULD TO SEE THAT APPROPRIATE CORRECTION OF THE ARTICLE WAS SENT OUT OVER THE WIRE. ASSUME YOUR INQUIRY DERIVES FROM SCRIPPS-HOWARD STORY, SINCE AS FAR AS WE KNOW ALL OTHER WIRE SERVICES AND

PAPERS REPORTED ESSENTIALLY FACTUAL ACCOUNT. NCUSCT HAD NOT PLANNED TO MAKE A TRANSCRIPT OF FREEMAN'S REMARKS, WHICH WERE ESSENTIALLY BOILERPLATE, BUT IS NOW PREPARING TRANSCRIPT WHICH IT WILL MAKE AVAILABLE IN ORDER TO CORRECT MISLEADING IMPRESSION LEFT BY SCRIPPS-HOWARD STORY. FREEMAN HAS HAD NO INTERVIEWS OR OTHER CONTACT WITH NEWSMEN DURING PAST WEEK, WITH EXCEPTION OF TELEPHONE CALLS FROM REPORTERS WHO HAD READ THE SCRIPPS-HOWARD STORY. HE ATTEMPTED TO SET THE RECORD STRAIGHT.

2. SPECIFICALLY, CONTRARY TO THE IMPLICATION OF THE SCRIPPS-HOWARD ARTICLE:

(A) FREEMAN DID NOT REFER TO "FULL DIPLOMATIC RELATIONS" AND DID NOT LINK FURTHER NORMALIZATION OF US-PRC RELATIONS TO CONCLUSION OF PRIVATE CLAIMS AGREEMENT.

(B) FREEMAN DID NOT SAY THAT HE EXPECTED "A FINAL FORM OF AGREEMENT VERY SOON." FULL REMARK ON CLAIMS ISSUE, WHICH CAME IN RESPONSE TO QUESTION FROM THE FLOOR BY IMPORTER WHO COMPLAINED OF DIFFICULTY OF FINANCIAL AND OTHER TRANSACTIONS WITH THE PRC, WAS: "IN FEBRUARY OF '73, WE MOVED FORWARD RATHER SIGNIFICANTLY IN THE DIRECTION OF RESOLVING THESE PROBLEMS IN AN OVERALL CONTEXT. I REFER TO THE NEGOTIATIONS ON PRIVATE CLAIMS AND BLOCKED ASSETS WITH THE CHINESE. ON OUR SIDE THIS INVOLVES ABOUT DOLS. 200 MILLION IN PRIVATE CLAIMS AGAINST THE CHINESE FOR PROPERTY OF AMERICAN CITIZENS TAKEN BY THE CHINESE AFTER 1949. ON THEIR SIDE, THE CLAIMS ARE FOR ABOUT DOLS. 80 MILLION IN ASSETS FROZEN HERE. WE DID AGREE IN FEBRUARY '73 IN PRINCIPLE TO A GENERAL MEANS BY WHICH WE COULD RESOLVE BOTH PROBLEMS. WE HAVE HAD A NUMBER OF EXCHANGES OF DOCUMENTS ON THIS. THE CHINESE SIDE IS CURRENTLY STUDYING WHAT I HAVE EVERY REASON TO LIMITED OFFICIAL USE

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HOPE WILL ULTIMATELY PROVE TO BE THE FINAL FORM OF AN AGREEMENT. AND ONCE THIS AGREEMENT IS COMPLETED, WHICH I AM VERY CONFIDENT IT EVENTUALLY WILL BE--ALTHOUGH IT IS DIFFICULT IF NOT IMPOSSIBLE TO PREDICT AN EXACT TIME-TABLE IN ANY NEGOTIATIONS--IT WILL PAVE THE WAY FOR DIRECT BANKING RELATIONS, INCLUDING BUYING FORWARD IN RENMINBI, WHICH IS OF CONCERN PARTICULARLY TO ALL OF YOU WHO ARE IMPORTERS. IT WILL PAVE THE WAY FOR DIRECT

SHIPPING LINKS AND THEREFORE MAKE THE TRANSPORTATION OF GOODS TO AND FROM THE PEOPLE'S REPUBLIC OF CHINA AND THE UNITED STATES CONSIDERABLY EASIER. AND IT CAN REMOVE ONE OBSTACLE TO THE ULTIMATE ESTABLISHMENT OF DIRECT AIR LINKS, WHICH, AGAIN, WOULD FACILITATE THE MOVEMENT OF PEOPLE AND GOODS BETWEEN US."

(C) FREEMAN DID NOT SAY THAT "CHINA WISHES PERIODS OF PAUSE IN ADVANCING TOWARD FULL RELATIONS." ON THE CONTRARY HE SAID THAT "OUR RELATIONSHIP WITH CHINA AT THE MOMENT IS SUBJECT TO LIMITS WHICH ARE NOT LIKELY TO BE REMOVED IN THE IMMEDIATE FUTURE. OUR RELATIONSHIP WILL GO FORWARD, BUT" IT WOULD BE ABSURD TO BELIEVE THAT IT "WOULD INEVITABLY GO FORWARD IN A COMPLETELY SMOOTH CURVE WHICH RISES WITHOUT OCCASIONAL LEVELING OFF... OUR RELATIONSHIP HAS A FIRM FOUNDATION. AND YET, WE MAY HAVE PERIODS OF PAUSE IN THE ADVANCE OF THE RELATIONSHIP. I BELIEVE THAT WE MAY BE IN SUCH A PERIOD NOW. WE ARE IN A PERIOD OF CONSOLIDATION IN WHICH...TRADE, CULTURAL EXCHANGE, COMMUNICATION BETWEEN US, WILL CONTINUE AND GO FORWARD. BUT PERHAPS FOR THE NEAR FUTURE WE MAY NOT BREAK VERY MUCH RADICALLY NEW GROUND."

(D) FREEMAN DID NOT SAY THAT WE WERE REMOVING TROOPS FROM TAIWAN "WITH THE PROSPECT IN MIND OF IMPROVING OUR RELATIONS." RATHER, IN RESPONSE TO A QUESTION FROM THE FLOOR WHICH ACCUSED US OF NOT IMPLEMENTING SHANGHAI COMMUNIQUE AND ASKED WHY ALL U.S. FORCES HAD NOT LONG SINCE BEEN REMOVED FROM TAIWAN, HE NOTED THAT NUMBER OF TROOPS HAD GONE FROM OVER 9,000 TO ABOUT 5,000 IN TWO YEARS, THAT "FURTHER WITHDRAWALS ARE IN SIGHT" AND SAID "THE SHANGHAI COMMUNIQUE STATED THAT AS TENSIONS IN THE AREA RECEDED, THE UNITED STATES WOULD STEP-BY-STEP REMOVE OUR FORCES... LIMITED OFFICIAL USE

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WE CONTINUE TO REMOVE OUR FORCES ON THE UNDERSTANDING AND WITH THE PERCEPTION THAT TENSIONS IN THE AREA ARE RECEDING. AND ALSO, BASED ON THE UNDERSTANDING, WHICH WE STATED IN THE COMMUNIQUE, THAT OUR ULTIMATE COMMITMENT TO REMOVE ALL OUR FORCES ON TAIWAN IS WITH THE PROSPECT IN MIND OF A PEACEFUL SETTLEMENT OF THE TAIWAN QUESTION BY THE CHINESE PARTIES CONCERNED."

(E) FREEMAN DID NOT PREDICT 1980 US-PRC TRADE OF DOLS. 5 BILLION. THAT WAS THE PREDICTION OF A SUBSEQUENT SPEAKER. HE SAID "PROJECTIONS ARE ALWAYS VERY RISKY IN THE CASE OF CHINA TRADE. I RECALL THAT BEFORE THE PRESIDENT'S TRIP TO CHINA, WE HAD PREDICTED THAT BY 1975, IF EVERYTHING WENT PARTICULARLY WELL, US-CHINA TRADE MIGHT REACH DOLS. 250-300 MILLION. OF COURSE, IT WAS WELL

OVER DOUBLE THAT IN 1973, ONLY ONE YEAR AFTER THE
PRESIDENT'S TRIP. BUT, BY 1980, ALL THINGS BEING EQUAL,
ONE MIGHT HOPE FOR US-CHINA TRADE PERHAPS ON THE ORDER OF
DOLS. 4 BILLION. I WOULD EXPECT THAT THE TRADE IMBALANCE
BETWEEN US WOULD NOT DISAPPEAR. PERHAPS OF THIS DOL. 4
BILLION, DOLS. 1 BILLION MIGHT BE IMPORTS BY THE US FROM

CHINA, DOLS. 3 BILLION OUR EXPORTS TO THE CHINESE."
END UNCLASSIFIED

3. BEGIN LIMITED OFFICIAL USE. BOTH THE PRC LIAISON
OFFICE AND THE ROC EMBASSY HAVE BEEN PROVIDED WITH THE
SUBSTANCE OF THE ABOVE, AS HAS CNA. WHEN THE NCUSCT
PREPARES A TRANSCRIPT OF THE TALK IT WILL BE MADE AVAIL-
ABLE TO ALL THREE ORGANIZATIONS HERE. END LIMITED
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SPEECHES, JOURNALISTS, NEWS MEDIA COMMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: smithrj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE121851
Document Source: CORE
Document Unique ID: 00
Drafter: CED
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740148-0081
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740661/aaaacarq.tel
Line Count: 186
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: TAIPEI 3600 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: smithrj
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2002 by shawdg>; APPROVED <27 FEB 2003 by smithrj>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FREEMAN SPEECH TO NCUSCT
TAGS: PFOR, ETRD, CH, US, SCRIPPS-HOWARD, NCUSCT, (FREEMAN, CHARLES)
To: TAIPEI
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005